

Network regulation to enable a smarter, cleaner energy future

National Skills Academy for Power Conference



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Ofgem's role

Ofgem is the independent GB energy regulator, working to protect the interests of existing and future energy consumers.

Our core purpose is to ensure that all consumers can get good value and service from the energy market.

Ofgem needs to prove itself as an organisation **capable of delivering major changes to the energy system.**



**Facilitating
the energy
system
transition**



We need to ensure our regulation **supports the transition**, while ensuring that all energy consumers, including vulnerable consumers, are **protected against undue cost increases.**

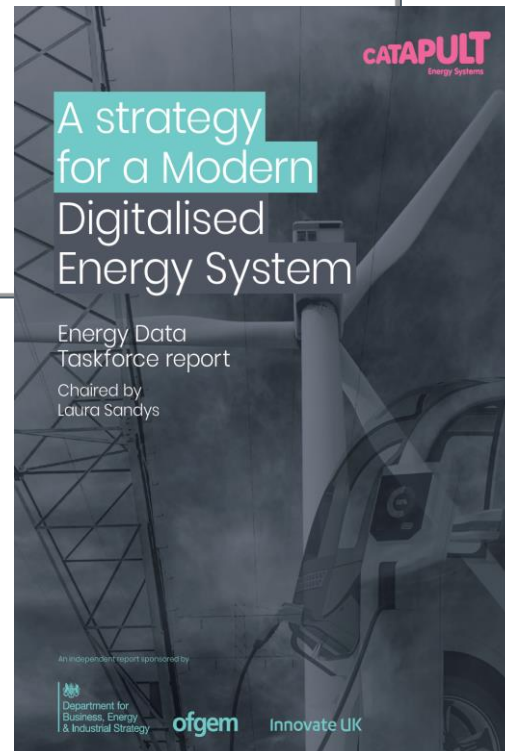


Monopoly Money

How consumers overpaid by
billions



citizens
advice



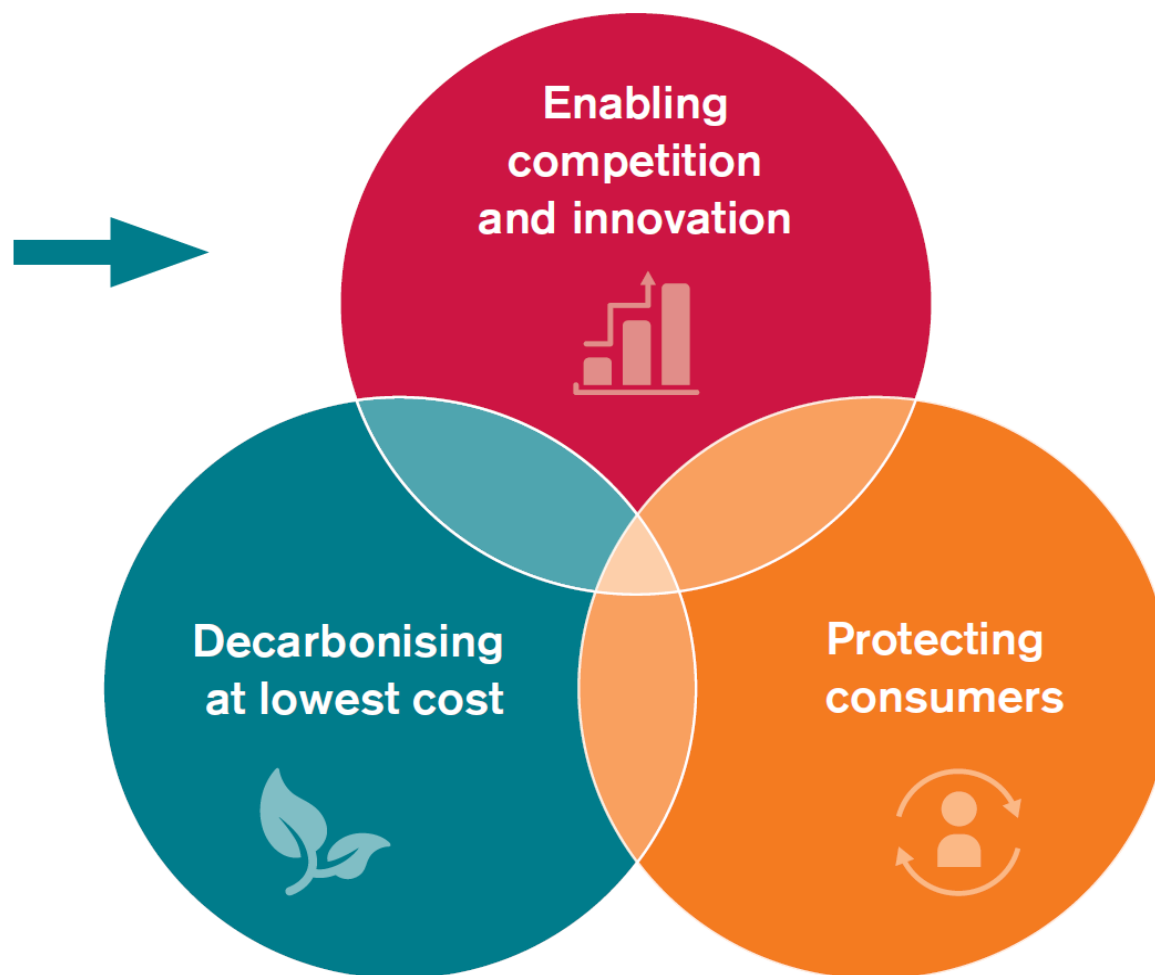
Lots of concrete questions/proposals have been raised by important stakeholders, for example around:

- Identifying the need for strategic investment and ensuring this can be future proofed
- Managing the risks of investing in things that are just not used or closing down alternative pathways
- Supporting strategic goals through better use of data
- Keeping costs down and protecting those who are less engaged in a smarter, digitised future

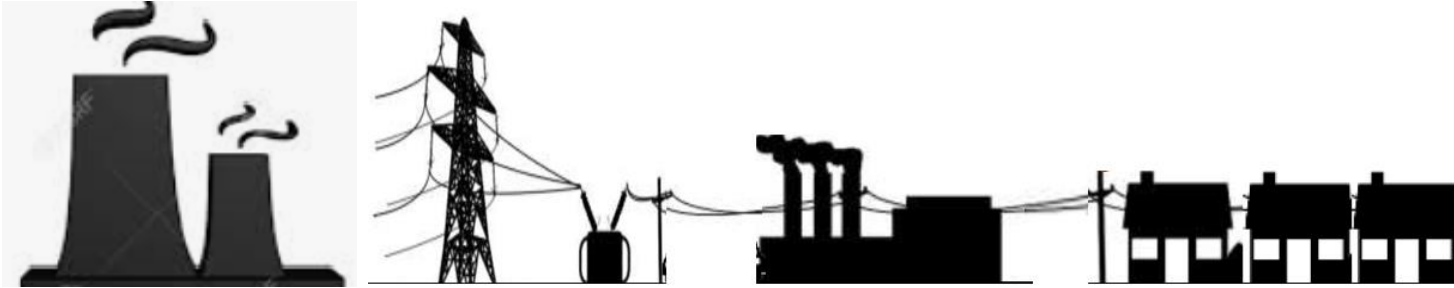
Ofgem Strategic Narrative sets out medium term objectives and priorities

Strategic Narrative to drive Ofgem's capability to deliver major changes across the energy system.

This is grounded in three core priorities:



Changes in the system means changes in regulation



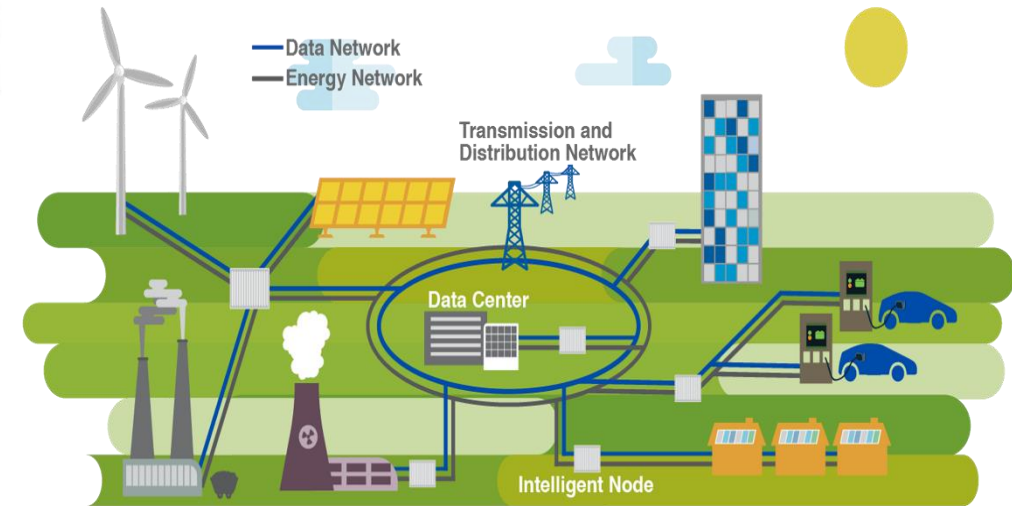
Decarbonisation

Decentralisation

Digitalisation

- Changes in generation mix , more integrated system
- New services/operating models to keep the lights on
- New technologies, increased complexity
- Increased use of data

Impact on regulation



Impact on energy system

- More agile, responsive regulation
- Breaking down traditional boundaries in system
- Increased focus on trade-off between short-term costs and long-term sustainability
- Ensuring no customers get left behind

Change is constant



- **Automation:** The coordination and control of decentralised service providers will be required, in close to real time, via advanced commination and automation techniques
- **Data Analytics:** The growth in the amount of data collected has prompted some operators to investigate the use of advanced data architectures and analytic techniques
- **Cyber Security:** Network Security Risk Management of new devices, interfaces and services providers will be required as we evolve to a smarter grid.

- Advances in digitisation, decentralisation and automation are widely recognised by employers, and pace of change will only increase with wide range of technological solutions in development
- Demographics also a major issue, with some traditional skillsets disproportionately affected
- Hard to fill vacancies can remain challenging because of skills issues
- Increasingly international labour markets so impact of EU exit needs to be managed

Attracting and retaining a highly skilled and diverse workforce

Attracting,
developing,
and retaining
a skilled
workforce

Up-skilling
and multi-
skilling

Ensuring
health, safety
and well-
being at heart

A modern
inclusive,
diverse
workforce

High levels of
motivation,
satisfaction,
and
productivity

“Competence is the ability to undertake responsibilities and perform activities to a recognised standard on a regular basis. It combines practical and thinking skills, knowledge and experience. The competence of individuals is vital... especially those with safety critical roles. It ensures they recognise the risks in their activities and can apply the right measures to control and manage those risks.” **Health and Safety Executive**

Summing up – meeting the challenges of a smarter, cleaner energy future

- The next five to ten years will be crucial for all of us, to build on the progress made to help deliver an energy system that works for all consumers.
- The need to decarbonise both electricity and heat, while addressing new demand from the growth of electric vehicles, is critical.
- For Ofgem this requires that our regulation is more agile, responding to and anticipating change through the arrangements we oversee.
- For the industry this is about ensuring that in each and every aspect of your business you explore and implement new approaches and solutions to the many traditional problems.
- Fundamental to all of this is people - ensuring we have the skilled, diverse workforce to deliver it.

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.